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Step 1

Commit to a climate aspiration

Discover the first step to effective climate-led transformation

Growing expectations across the market and best practice standards now dictate that organizations must establish meaningful, transparent and credible science-based targets.

Cover image: The Great Barrier Reef on the north-east coast of Australia contains the world's largest collection of coral reefs, with 400 types of coral, 1,500 species of fish and 4,000 types of mollusc. It also holds great scientific interest as the habitat of species such as the dugong and the large green turtle, which are threatened with extinction.

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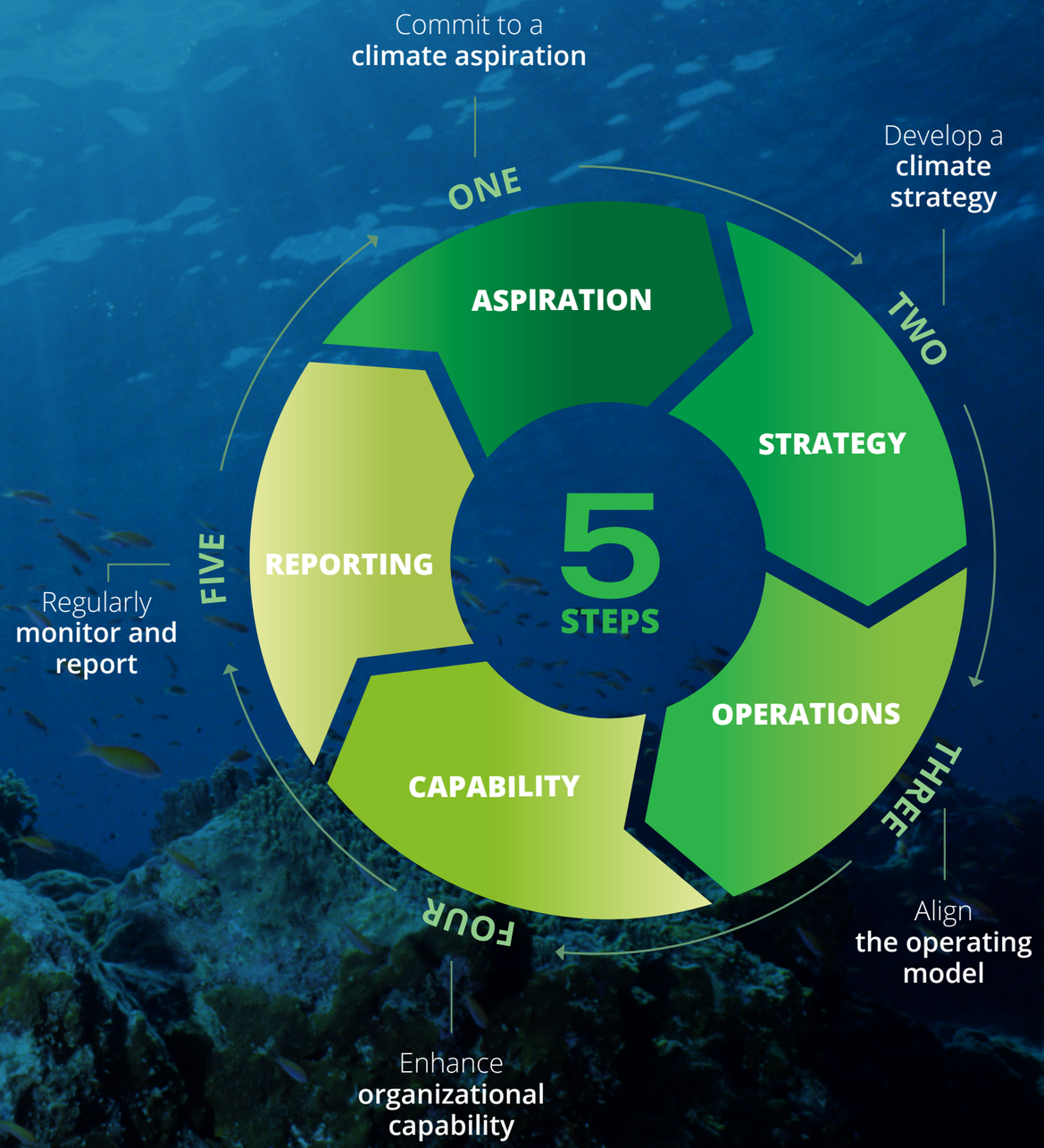


The 5-Step Climate-led Transformation Framework

Understand your organization's current state, identify and prioritize the material climate-related issues facing your business, and define and commit to a climate aspiration/target that suits your business.

Step 1 will allow your organization to understand how to set ambitious yet achievable climate targets for your organization.

Read Step 1:
Commit to a climate aspiration

Assess the strategic impacts of the climate on your organization, the importance of engaging key stakeholders, identifying the best response options and opportunities, and create a detailed climate implementation roadmap.

Step 2 will help to ensure your organization has an integrated strategy to reduce your carbon footprint and climate risks and create value through climate-related opportunities.

Read Step 2:
Develop a climate strategy

Identify the operating model changes required to realize your climate aspirations and execute your climate strategy.

Step 3 will support your organization to reflect on its current state, design the future state operating model and determine the steps needed to achieve success.

Read Step 3:
Align the operating model

Identify capability gaps and barriers in your organization, understand your capability requirements, and implement initiatives, tools and metrics to increase your capabilities to deliver your climate strategy.

Step 4 will empower your organization to help achieve your climate goals through targeted and effective capability development.

Read Step 4:
Enhance organizational capability

Identify what your organization needs to monitor and report and the capabilities and operational changes required.

Step 5 will help enable your organization to disclose according to stakeholder needs, ensure your management has the information needed to adjust strategy over time, identify savings and costs and be accountable for performance.

Read Step 5:
Regularly monitor and report

Step 1

Commit to a climate aspiration

The Climate-led Transformation Framework can help your organization begin, progress or advance its journey to implement its climate strategy, orchestrating change to positively impact business outcomes.

The application of this framework is not necessarily linear or singular. No matter where your organization is on the journey to climate transformation, Step 1 ‘Commit to a climate aspiration’ is the right place to start, reflect or reassess.

This five-step climate-led transformation framework can help to unlock positive change across your business and harness the future green economy, reducing your carbon footprint and associated risks.

Key considerations in this stage of the climate-led transformation journey might include:

- Are you prepared to shift your targets based on external and internal influences?
- Are you prepared to work cohesively to ensure that your climate and emissions reduction targets can be applied across your entire value chain?

The climate-led transformation journey starts with setting ambitious yet achievable climate aspirations

To create an agile climate transformation strategy, the first step is to commit to a target that is credible, achievable, time-bound and value-creating. Your climate aspirations should comprise of decarbonization targets, a commitment to constantly improve climate risk information, and adaptation goals. To be credible, these must be aligned with the latest climate science and the Paris Climate Agreement and should consider any regulatory requirements across the jurisdictions that you, your key suppliers and your customers operate within.

So, what actions are required to determine and align this target?

Assess the current state of your organization in relation to climate change:

Understand your current contributions and vulnerabilities to climate change

1

Identify and prioritise material climate-related issues affecting your business:

Consider the risks and opportunities posed by climate change and how these affect your organization's overall business strategy and operations

2

Define and commit to climate targets aligned to your organization:

Use the insights from items 1 and 2 to define and commit to meaningful and achievable climate targets

3

Whether your organization is setting its first climate target or updating an existing target, the steps outlined in this publication will guide you through the key considerations to understand your organization's emissions profile and the climate-related risks and opportunities most pertinent to your business model.

Mitigation and adaptation are central tenets of a climate transformation strategy. The Task Force on Climate-related Financial Disclosures (TCFD) is the leading framework to help public organizations determine and disclose their climate-related risks and opportunities. For more information about key climate principles such as mitigation, adaptation, and the TCFD, see the Overview.

Recognizing the adverse impact of climate-related risks on our economy, environment, communities and us as individuals, several organizations across the globe have created robust climate strategies to achieve their climate aspirations.

Case study

Telstra, Australia's leading telecommunications and technology provider, aims to achieve net-zero greenhouse gas (GHG) emissions by 2050, in alignment with the Paris Climate Agreement.

Telstra's response to climate change is focused on three areas:

MINIMIZING

its emissions to achieve net-zero greenhouse gas emissions by 2050

BUILDING

resilience to climate change

HELPING

to enable low carbon economic growth

Its overarching goal is to create mechanisms for sustainable growth and value for its shareholders through well-defined steps designed to help the organization achieve its climate goals, underscoring the relevance of creating a comprehensive climate strategy.

Telstra's approach exemplifies how Step 1 can be applied (Refer to Step 1 in action for a detailed case study) and has been provided by Telstra to help you practically identify the ways current businesses are navigating and creating a well-defined climate ambition.

Standards available to guide your organization

Numerous international standards and frameworks have been developed to help guide organizations through the process of identifying and committing to meaningful climate targets.

The most prominent of these include:

- The Greenhouse Gas Protocol: One of the most widely used GHG accounting standards, the GHG Protocol has established a comprehensive, global, standardized framework to measure and manage GHG emissions.[1]
- The Science Based Targets Initiative (SBTi): The SBTi requires organizations to adhere to the GHG Protocol,[2] while also building on the standards presented in the GHG Protocol. The SBTi does this by defining and promoting best practices in emissions reduction and providing technical assistance and expertise to organizations setting GHG emissions reduction targets.[3]
- The TCFD Recommendations Report: Established by the Financial Stability Board, the TCFD outlines recommendations for effective climate-related financial disclosures, with the aim of helping financial institutions and investors to incorporate climate-related disclosures into their risk management and planning processes, and make better-informed decisions around climate action and capital allocation.[4]
- The International Sustainability Standards Board (ISSB): Established by the International Financial Reporting Standards Board of Trustees to develop a consistent global baseline for sustainability-related financial disclosures.

Many major global markets including the United Kingdom and the European Union have aligned with the ISSB standards as a regulatory requirement, and it's expected many more governments will follow.

These standards and frameworks are not mutually exclusive; they can, and should, be used together to form a holistic picture of your organization's carbon footprint and climate-related risks and opportunities.

Growing expectations across the market and best practice standards now dictate that organizations must establish meaningful, transparent and credible science-based targets. They also specify how these targets should be reviewed, and how climate-related risks and opportunities must be identified, assessed and managed.

A public commitment to international best practice standards and frameworks will strongly demonstrate your organization's willingness to address climate change and be held accountable for meeting your climate-related targets. It will also instil trust and credibility with stakeholders that your organization is making a meaningful commitment to climate change through well-defined metrics.

The "As Is" scenario: Assess and identify your current state

To create a robust climate strategy that can help your organization develop and achieve its climate goals, it is important to begin with an in-depth assessment of your organization's current state with regard to climate change and identify the prevailing vulnerabilities and opportunities.

This knowledge will become the foundation and can guide you in your climate-led transformation journey.

The framework outlined in this section will help your organization answer:

- What is your current annual carbon footprint?
- What portion of those emissions are direct versus indirect?
- What risks does climate change pose for your business?
- What relevant opportunities are there?

Determine your emissions profile

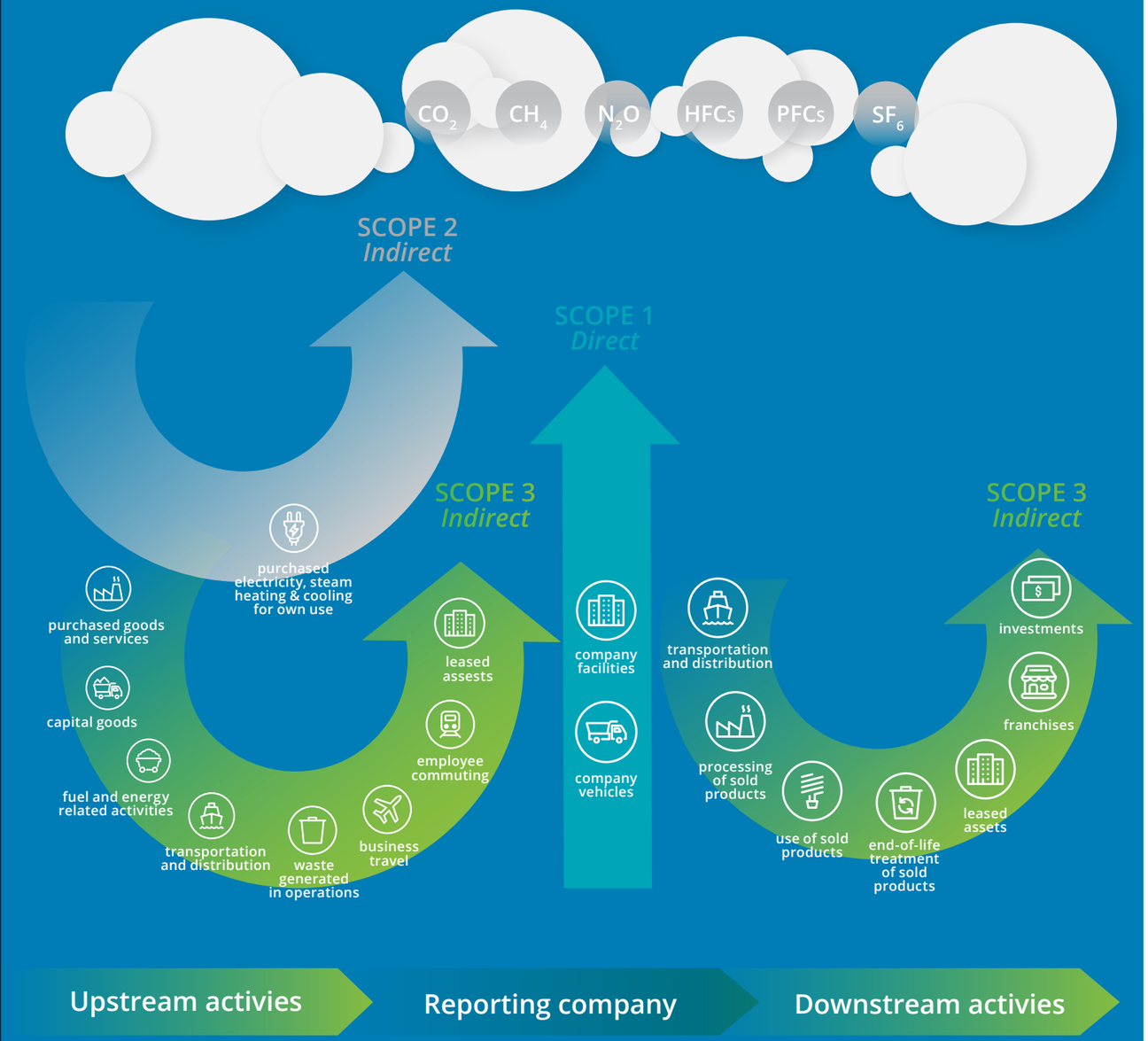
Understanding your organization's complete carbon footprint across Scope 1, 2 and 3 emissions is required to develop a credible climate strategy.

This will enable you to review and baseline your current emissions profile and highlight the focus areas of your climate strategy, along with actions required to improve that baseline and mitigate associated risks.

Your carbon footprint is your organization's total annual GHG emissions, both directly through the equipment and facilities you own and operate and through your supply chain and customers' use of your products and services. It is most commonly calculated by applying an emission factor, which represents the carbon intensity of each activity, to activity data to obtain the total tonnes of carbon dioxide equivalent (tCO_2e) for that activity. These are then categorized across the three scopes, as defined by the GHG Protocol.[5]

- **Scope 1** covers direct emissions that occur from sources that are owned and controlled by your organization.
- **Scope 2** accounts for the emissions generated from the purchase of electricity and heat consumed by your organization.
- **Scope 3** is GHG emitted by others and in the wider economy on your organization's behalf in using the goods and services your organization produces and procures.

Figure 1: Overview of GHG Protocol scopes and emissions across the value chain



Scope 3 emissions are the largest emissions category for most organizations, often accounting for several times the size of Scope 1 and 2 emissions.[6]

However, historically, emissions accounting has primarily focused on only Scope 1 and 2.

This is because Scope 3 emissions generally fall outside of an organization's direct control, making it challenging to collect emissions data or to directly influence emissions reduction. Scope 1 and 2 emissions, however, are usually within an organization's operational or managerial control which makes it easier to measure, trace and track emissions.

To calculate an accurate emissions profile your organization must collect internal data, referred to as activity data, from a range of sources such as finance, operations, logistics, and procurement. The GHG Protocol and SBTi provide detailed guidance on how to complete an emissions inventory, including the establishment of operational boundaries, accounting for subsidiaries and treatment of carbon offsets[7] (the removal of residual emissions).

Case study

For Telstra, an assessment of the 'As Is' scenario involved quantifying its Scope 3 emissions which represented 62% of the company's total carbon footprint in FY22.

As a next step, Telstra determined that 72% of the total Scope 3 emissions were attributed to its suppliers. Finally, to better gauge the type of emissions and their holistic environmental impact, Telstra partnered with CDP (formerly known as the Carbon Disclosure Project) through its Supply Chain Program.

As of August 2022, this partnership enabled Telstra to deliver training, tools and support to its top 113 suppliers (covering over 78% of total spend) to help them disclose their GHG emissions to Telstra via the CDP. Currently, over 75% of disclosing suppliers have set targets to reduce their emissions.

The relevant emission factors, usually based on the location of operations, are applied to the activity data to calculate the total tonnes of carbon dioxide equivalent (tCO_2e) across Scope 1, 2, and 3. An emissions factor is a representative value that attempts to relate the quantity of a pollutant released to the atmosphere with an activity associated with the release of that pollutant. Despite certain shortcomings such as not being source-specific due to data availability limitations, emission factors are often the best or only reliable method available for calculating emissions.

After ascertaining your emissions profile, the next step is to identify the practices that your organization will choose to adopt in your transition towards achieving net-zero targets and develop an implementation plan.

These are covered in Step 2 of the climate-led transformation framework where you will discover how to go about developing a climate strategy for your organization.

Determine the risk and opportunity profile

Climate change can create significant and varied risks that have both short- and long-term ramifications. To enable consistency in the identification and communication of risks, the TCFD categorizes them as either physical or transition risks.

- **Physical risks** stem from exposure to physical events such as flooding, drought, and fires. These risks are already impacting businesses' assets and supply chains, causing harm to people and assets, and disrupting operations. As global average temperatures continue to rise, these climate-related risks will increase.
- **Transition risks** relate to decarbonization and associated regulatory, market, technology and broader societal changes. These risks are emerging rapidly and asymmetrically, with risk significance broadly correlated with the carbon emission intensity of organizational value creation–i.e., those with fossil fuel-intensive production methods will tend to have higher transition risks than those that don't.

The key to effectively managing your material climate-related risks is to consistently identify, assess and communicate how they will affect your organization's value chain over time.

The assessment should also include the potential impact of climate-related issues on financial performance and market position.

Once the risks are identified, a thorough deep dive and cross-business interrogation of these risks and their potential impacts on business segments and external stakeholders across the short, medium, and long term is critical to garnering the fullest picture of risk, with key stakeholders and partners asking:

- How could each risk affect organizational strategy as a whole?
- What would need to change to address the material climate-related risk?
- How can we maximize commercial outcomes from the transformation required to address these risks?

A strong understanding of the climate-related risks and opportunities facing your organization can also help to inform crisis and resilience plans. Your organization should be able to describe the resilience of its business strategy, considering different climate-related scenarios and associated time horizons. Ideally, your organization should consider scenarios for the 1.5°C, 2°C, and 3°C pathways–the first two are recommended by the United Nations (UN) International Panel on Climate Change (IPCC) and TCFD, and the latter is an emerging practice.[8]

Your organization would need to clearly define the metrics used to guide decision-making and ensure that the board has oversight of these climate-related risks. This would provide the accountability and transparency required while taking the appropriate actions to address material climate-related risks.

The TCFD has clear recommendations to help organizations disclose clear, comparable, and consistent information about the risks and opportunities presented by climate change.[9]

Early identification of emerging opportunities and proactive implementation of the right policy changes will put your organization in a position to reap the benefits from rapidly emerging commercial opportunities created by the transition to a low-carbon economy.

Deloitte Economics Institute anticipates that US$47 trillion will be added to the economy across Asia Pacific by 2070[10], primarily through the development of new systems of production. This transformation will be underpinned by the expansion of renewable energy and competitive exportation of low-emission products, impacting businesses across all value chains.

As with any strategy, understanding your baseline and current state is the ideal place to start from to ensure that your climate strategy is grounded in your existing context. A clear, acknowledged, and wide adoption of this within your organization will help to set the scene for the effective development and adoption of your new or evolving climate strategy.

It is critical for organizations to proactively identify and leverage climate-related opportunities while astutely mitigating associated risks. Read the Overview to gather a comprehensive understanding of how organizations can strike the right balance between risk mitigation and opportunity optimization.

Shining light on the essentials: Identify the climate-related issues that matter most to your business

An in-depth understanding of your organization's emissions profile and exposure to climate-related risks and potential opportunities will help you identify the most significant issues that demand immediate attention and longer-term transformation.

To ensure that the full breadth of issues is identified and prioritized appropriately, it is critical that your organization engages with all key internal and external stakeholders during this process.

The framework outlined in this section will help your organization:

- Identify material (both internal and external) climate issues most relevant to your organization
- Assess the impact severity and strategic importance of material climate-related issues
- Consider how addressing risks and leveraging opportunities can inform the creation of your organization's climate targets
- Identify what opportunities could be leveraged and realised via shifts or changes in that profile

Develop and categorize a list of material issues

An agreed list of material climate-related issues from internal and external sources will establish a focus on the areas that will achieve the most impact.

Internal sources include data insights from your operations and emissions profile, stakeholder interviews and workshops with senior leadership. External sources include international standards, frameworks and regulations, insights from media and research reports, and reports published by stakeholders including shareholders, investors, partners and suppliers.

As you collate these issues, they should be classified into a select number of categories relevant to your organization (e.g., people, operations, supply chain, infrastructure, etc.).

Case study

Telstra conducts an annual materiality assessment to understand, profile and prioritize the risks and issues that are most important to its key stakeholders.

Telstra is then able to develop goals and activities that have a material impact and are of strategic importance to the organization, such as decarbonizing their operations and the grid adapting, to climate impacts and creating more sustainable products and packaging. These are categorized under the two pillars of their environmental strategy – Climate Change & Energy Use, and Resource Efficiency.

Assess the material issues across impact severity and strategic importance

As a next step, your organization can undergo a formal materiality assessment that considers the relative importance of the identified issues.

A scoring methodology specific to your organizations risks and priorities may be useful when assessing the issues (e.g., a weighting on strategic importance or potential severity) and can be used to set the criteria for what is considered a material issue.

During this process, strategic insights on these material issues will emerge through stakeholder inputs. These can and should be applied as considerations when refreshing your organization's climate and overall business strategies.

Questions you could ask include:

- What is the direct and indirect correlation between the material issue/s and what risks and opportunities exist should the context of these issues change or vary?
- Which material issue/s poses the highest risk to your business and to achieving your climate targets?
- Which issues, when approached differently, can unlock value for your business?
- Which material issue/s is your organization most accountable for?

Committing to a future state: Define the scope and targets of your climate transformation aspiration

Insights gleaned from the current state assessment and material risks and opportunities will enable your organization to align with formally recognized climate standards and frameworks and commit to specific, ambitious and achievable climate targets.

The framework outlined in this section will help your organization:

- Construct a clear vision statement for your organization's climate goals
- Determine what steps need to be taken to articulate practical near-term and long-term targets
- Create measurable success criteria for tracking your organization's performance with regard to the long-term target state

Define your targets

Initiatives like the GHG Protocol and SBTi, outline structures and offer guidance for setting practical targets that can help your organization achieve its overarching climate ambition.

Effective climate strategies involve setting tangible targets whether they are related to emissions reduction or resilience and adaptation measures. By breaking targets into both near- and long-term goals, your organization can more clearly track progress toward the end state by achieving appropriate milestones along the way.

The IPCC recently released a report on the Mitigation of Climate Change and highlighted that GHG emissions must be reduced by 43% by 2030 to keep within the target of 1.5°C of global warming and to avoid the worst effects of climate change.[11] The decisive decade for action to do so is now, and the establishment of realistic and effective near-term targets will help set your organization on a path of acceleration to meet these wider goals.

Many organizations have already set, pledged and communicated their plans to achieve 2050 targets and those leading the way have already made progress against them. Given the level of transition that the entire global economy will navigate throughout the next decades, it is clear now more than ever that businesses cannot afford to wait.

Minimum standards for climate targets are typically aligned with the 2018 Special Report released by the IPCC, which highlights the dangers of global temperatures rising above 1.5°C. This means your organization's climate ambitions should at a minimum align to a 1.5°C pathway and a net-zero target by 2050. When setting long-term targets for your organization, consider:

- How ambitious must your organization be?
- What are the time-based horizons you will use to measure progress to ensure momentum and the appropriate pace to reach the long-term ambition?
- Who will be most impacted by the transformation required to achieve the long-term target and what adaptation measures are put in place to ensure effective change?
- How will these targets be integrated into the organizational strategy and who will be accountable for their achievement?

Near-term targets are critical to helping your organization accelerate toward longer-term targets. Like any target, they should be ambitious and achievable and act as milestone steps on the roadmap you have set toward your organization's long-term ambition.

Determine measurable success criteria

Case study

Telstra's Environment Strategy aims to accelerate its ambitions to tackle climate change by:

1. **Reducing GHG emissions:** In December 2021, Telstra announced a broadening of its GHG emission reduction targets to include a 50% reduction of its Scope 3 emissions by 2030 from an FY19 baseline year.

2. **Improving energy usage:** Telstra has maintained carbon neutral operations It has also committed to enabling 100% renewable energy generation equivalent to energy consumption by 2025 and reducing absolute emissions by 50% by 2030.

3. **Improving resource efficiency:** Telstra has committed to ensuring that 100% of its branded packaging is made of renewable or recycled material and is fully recyclable by 2022, reusing or recycling 500,000 mobile phones, modems, and other devices each year to 2025, and increasing network waste recycling rate to 85% by 2025.

Reaching your organization's target state requires the support of actionable and measurable initiatives that will enable organizational buy-in, ongoing investment against progress and commitments from key stakeholders.

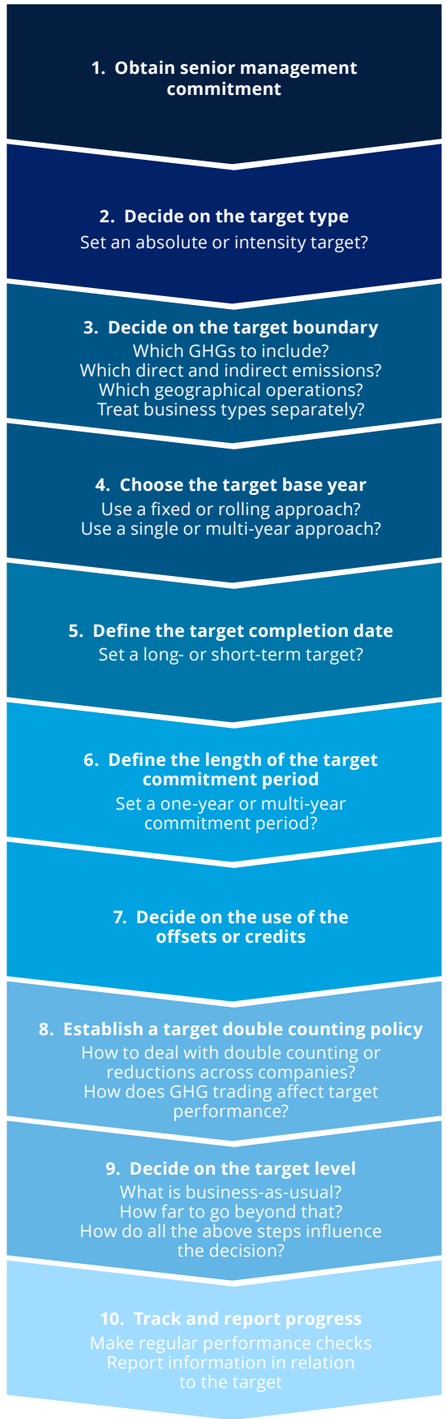
Critically, measurable criteria will enable the longevity of that commitment, despite the transience of the workforce and other priorities.

These may be directly implementable emissions measures, for example, 'by a specified date, solar panels will be installed on all buildings within our operational control accounting for a specified amount of energy production as a specified proportion of total energy usage within those buildings'.

They may also be indirectly measurable such as learning, human resource, system or research related such as 'by a specified date, we will disclose climate and emissions data on all product-related outputs' or 'every supplier we contract in the production and distribution will contribute no more than a specified amount of emissions by a specified date'.

Your organization's progress against these initiatives must be tracked and evaluated regularly. This can be done by you and your stakeholders, or an external body. For example, if your organization is a member, the SBTi will closely monitor the progress of your organization toward the targets.

Figure 2: Steps in setting a GHG target[12]



According to the GHG Protocol, measurable targets should at a minimum:

- Have senior level commitment
- Be specific as to the target type
- Have a target boundary
- Include separate targets for different types of businesses
- Have a target base year (fixed or rolling)
- Include a defined length of commitment
- Specify whether using offsets or credits
- Define how they will be counted
- Be trackable and progress measurable

In terms of aligning with your internal processes:

- Set a realistic time frame (as progress and incremental towards longer-term ambition), accurately reflecting your organizational theory of change
- Ensure alignment with the core components of your overall business strategy, not adjacent to it
- Assign a clear C-Suite owner who is accountable for the delivery of various criteria and success factors
- Evaluate and articulate the investment required to meet your climate targets
- Include a visible correlation to the emissions targets set overall within your climate strategy
- Encourage transparency by regularly communicating with both internal as well as external stakeholders (more on this in Step 5)

Manage your climate-related risks and consider climate-related opportunities as part of your aspirations

An equally important aspect of your organization's future state is the management of your organization's climate-related risks. Your organization needs to also ensure the integration of those risks into your operational decision-making, through adaptation planning and resilience building initiatives.

Through your organization's materiality assessment, you may identify risks such as facilities located in an area prone to flooding and other extreme weather events.

In response to this, your organization may choose to invest in solutions to reduce flooding. These could include infrastructure solutions or nature-based solutions such as rain gardens or bioswales, which use vegetation to absorb stormwater flows and reduce the instances of disruption due to flooding.

In addition, adaptation measures may also have co-benefits for other areas of your business. For example, the use of green infrastructure, through planting trees and other vegetation, may contribute to your business' nature positive goals.

Case study

Telstra uses adaptation planning focused on areas at risk based on climate change projections.

This includes taking action to reduce the negative impacts of climate change and taking advantage of emerging opportunities. In FY22 Telstra developed and implemented its first Adaptation Plan.

The key outcomes of the FY22 adaptation plan included:

- Incorporation of climate risk data into two of its key planning tools: NetFacility and Waypoint. This includes the current (baseline) at-risk sites and a repository for multi-year hazard data in geospatial format.
- Integration of future climate risks into existing business risk frameworks.
- Integration of future adaptation planning and reporting into existing operational planning and reporting processes.

Step 1

Summary

Your organization's climate strategy can be broken down into essential steps to help you create an effective climate-led transformation roadmap.

Step 1 in this journey is to set ambitious and achievable climate targets for the near- and long-term that are aligned with the overall strategic goals of your organization, the expectations of your stakeholders and established global standards, protocols and best practices. Key steps include:

- Understanding your organization's current state
- Defining the future state that needs to be achieved
- Identifying potential risks and opportunities
- Establishing ambitious and realistic climate targets

Equally important is creating an agile framework that can adapt and respond to the ever-evolving climate and social landscape. A robust review and measurement mechanism that will enable you to course correct and progress on your climate-led transformation journey.

Consider:

- Re-baselining annually against the current state, calculated against performance targets
- Regular reviews and quantification of the material issues
- Quarterly board reporting of progress against targets
- Annual performance sharing with shareholders, customers and partners

By committing to an ambitious and achievable climate target, your organization is positioning itself to thrive in a net-zero future by building adaptive capacity, reducing the risk of climate-induced losses and capturing strategic opportunities for growth and value creation.

For more information on using those targets to develop a climate strategy, see Step 2.

Step 1 in action

Case study

Telstra is Australia's leading telecommunications company and its purpose is to build a connected future so everyone can thrive. Their strategy is to provide exceptional customer experience, lead network and technology solutions, create sustainable growth and value for shareholders, and be the place you want to work.

Telstra has an important role to play in addressing climate change and the many environmental challenges we face. They are committed to harnessing technology to accelerate action on climate change and improve environmental sustainability –through leading by example and by helping their suppliers, customers, and the community to do the same.

Telstra's commitment to transparency: Telstra has aligned its reporting with the TCFD recommendations and will continue to enhance its climate-related disclosures to reflect its response to managing the impacts of climate change.

For further detail in relation to Telstra's climate ambitions and actions set out in this case study, refer to the Telstra Sustainability Report and Telstra Climate Change Report which can be accessed here.

Step 1 Telstra's actions and commitment

Assess and identify your current state

Telstra has been publicly reporting its emissions since 2004.

This table illustrates their efforts to track and reduce their Scope 1 and 2 emissions each year:

GHG emissions (Scope 1 and 2)				
	FY19	FY20	FY21	FY22
GHG emissions (tCO_2e)	1,306,495	1,247,050	1,163,669	1,123,879
Australia	1,237,452	1,180,531	1,110,879	1,077,235
International	69,044	66,519	52,790	46,644

Telstra did this by improving infrastructure and network energy efficiency, accelerating the decommissioning of legacy technology, and leveraging the reduced emissions intensity of the electricity grid as the use of renewable energy increases.

They have also invested in power purchase agreements (PPAs) with renewable energy projects to contribute to the decarbonization of the grid.

The remaining emissions are offset to become carbon neutral in their operations. Telstra's carbon credit purchasing strategy prioritises credits from projects which offer aligned sustainability benefits (such as reforestation projects with biodiversity outcomes and First Nations-led savannah burning projects).

Telstra has also trialed an internal shadow carbon price to align its emissions reduction goals with financial decision-making and established a central budget to prioritize the funding of high return-on-investment emissions reduction projects.

In FY22, Scope 3 emissions represented 62% of Telstra's total carbon footprint. Understanding Telstra's Scope 3 emissions sources is the first step towards reducing them. 72% of the total Scope 3 emissions are attributed to its suppliers (category 1, 2 and 4). To better gauge the type of emissions and their holistic environmental impact, Telstra partnered with CDP through it's Supply Chain Program.

As of August 2022, this partnership enabled Telstra to deliver training, tools, and support to its top 113 suppliers (covering over 78% of total spend), to help them disclose their environmental impacts to Telstra via the CDP. In October 2021, Telstra also hosted a forum with its largest suppliers to discuss how the organization can work together with its suppliers toward a low-carbon future. Since then, 94% of the suppliers engaged have disclosed their environmental impacts via the CDP, well above the global average rate of disclosure. They are now using the information to further understand the volume of their emissions and to develop strategies to improve supplier emissions performance. Currently, over 75% of disclosing suppliers have set targets to reduce their emissions.

Telstra has also identified that the majority of its emissions are concentrated in a relatively small number of suppliers and is engaging directly with these suppliers to build emissions reduction targets into contractual arrangements.

In FY21, Telstra completed an initial scenario analysis to better understand the potential impacts of climate change on its business across three key areas: infrastructure and assets, supply chain, and customers. Telstra has developed three climate-driven scenarios, projected to 2050, and used these scenarios to test the resilience of its physical infrastructure across a variety of time horizons, ranging from short (up to three years) and medium (three to ten years) to longer term (greater than ten years). In FY22, Telstra assessed and disclosed the financial impact of climate change on its infrastructure in its 2022 Climate Change Report.

Step 1 Telstra's actions and commitment

Identify the climate-related issues that matter most to your business

Telstra conducts an annual materiality assessment to understand, profile, and prioritize the risks and issues that are most important to it's key stakeholders–including employees, investors, shareholders, and members of the public.

Telstra recognizes it plays an important role to tackle climate change and create a more sustainable future by using resources more efficiently. It has identified five key principles that guide its environmental strategy. They are: (1) lead by example, (2) reduce our impact, (3) drive change from the inside out, (4) enable our customers & economy, and (5) ensure the resilience of our services.

Their environmental goals are established under two pillars, Climate Change & Energy Use and Resource Efficiency. Under these pillars, Telstra has developed activities that have a material impact and strategic importance to the organization, including:

Climate change and energy use

- decarbonize Telstra
- decarbonize grid
- decarbonize economy

Resource efficiency

- adapt to climate impacts
- create more sustainable products
- create more sustainable packaging
- recover network technology
- improve waste and recycling

Climate-related opportunity analysis is another important component of Telstra's environmental strategy and ambition.

As Australia's largest telecommunications provider, Telstra identified a significant opportunity to help their customers, and society, transition to a lower carbon future by accelerating the adoption of innovative emissions-avoiding technologies. In 2022, they commissioned Deloitte Australia to find out how much their technology and connectivity solutions help customers, and Australia, to decarbonize.

Deloitte Australia's Enabling Positive Climate Action report analyzes the impact of Telstra's products and services by looking at their 'enablement factor'. This quantifies the emissions avoided by Telstra customers through the use of their products and services, when compared to Telstra's own emissions. The calculations reveal the overall contribution Telstra can make towards a lower carbon future.

Deloitte Australia's findings estimate that by 2030, Telstra's enablement factor will be 6.9. That means for every tonne of CO_2e Telstra emits, they help their customers to avoid 6.9 tonnes of CO_2e emissions through the use of their products and services–which they estimate is the equivalent of reducing the number of cars on Australian roads by 1.3 million each year. By 2030, Deloitte Australia estimates that Telstra can cumulatively help customers avoid over 40 million tonnes of CO_2e.

[Note: These findings are based on the Deloitte Australia Enabling Positive Climate Action report commissioned by Telstra in 2022 to profile the ways in which Telstra is helping customers to avoid emissions through the use of its technologies. See the full report for further detail, assumptions and qualifications.]

Step 1 *Telstra's actions and commitment*

Define the scope and targets of your climate transformation aspiration

Telstra's Environment Strategy is aimed at accelerating its ambitions to tackle climate change by reducing operational GHG emissions, purchasing carbon offsets to counteract emissions and creating a more sustainable future by using resources more sustainably and efficiently.

Telstra will improve energy usage by:

- maintaining carbon neutral operations, as it has since 2020
- enabling 100% renewable energy generation equivalent to energy consumption by 2025
- reducing absolute emissions by 50% by 2030.

In December 2021, Telstra announced a broadening of our greenhouse gas emission reduction targets to include a 50% reduction of their Scope 3 emissions by 2030 from an FY19 baseline year. This means their emissions reduction target (set in accordance with the SBTi framework) includes Scope 1, 2 and 3 emissions.

Telstra will improve resource efficiency by:

- ensuring 100% of Telstra branded packaging is made of renewable or recycled material and is fully recyclable by 2022
- reusing or recycling 500,000 mobile phones, modems and other devices each year to 2025
- increasing network waste recycling rate to 85% by 2025.

Telstra's targets are underpinned by a strong foundation of reporting and disclosure, and environmental risk and compliance frameworks. This ensures performance will be adequately measured and tracked against targets.

Key terms

List of the key terms used in this publication and their definitions.

Key terms	*Definition*
The Paris Agreement	The Paris Agreement, or Paris Accord, is an international agreement which was ratified in 2015 by almost 200 nations. The agreement was a commitment by member nations to address the impacts of climate change and attempt to limit average surface temperature warming to below 2°C by the end of the century, and ideally below 1.5°C.
Net-zero	Net-zero refers to the balance between the amount of GHG produced and the amount removed from the atmosphere. Your organization reaches net-zero when the amount you add is no more than the amount taken away. SBTi defines it as setting corporate net-zero targets aligned with meeting societal climate goals means (1) achieving a scale of value chain emissions (i.e., Scope 1, 2 and 3) reductions consistent with the depth of abatement at the point of reaching global net-zero in 1.5°C pathways and (2) neutralizing the impact of any residual emissions by permanently removing an equivalent volume of CO_2.[13]
Science-based targets	Targets that are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement–to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.
GHG emissions categories	Scope 1: Direct organization-owned or controlled emissions occurring at the source. Scope 2: Emissions associated with the production of energy consumed by your organization. Scope 3: Indirect emissions associated with your organization's activities from sources not owned or controlled by your organization.
Residual emissions	Emissions sources that remain unabated in a specific year of a mitigation scenario. Long-term SBTs are consistent with the level of residual emissions in the year of global or sector net-zero in 1.5°C-aligned mitigation pathways with low or no overshoot.
Carbon offsets	Carbon offsets broadly refer to a reduction in GHG emissions–or an increase in carbon storage (e.g., through land restoration or the planting of trees)–that is used to compensate for emissions that occur elsewhere.
Physical risk	Physical risk refers to the resulting effect of climate change on organizations, including assets, services and people. This includes acute risks which are driven by events such as severe storms, hurricanes, or floods and chronic risks which emerge from longer-term shifts in climate patterns such as sustained higher temperatures causing chronic heat waves or sea level rise.
Transition risk	Transition risk accounts for all the risks associated with the transition to a lower-carbon economy. This includes, but is not limited to changing policy and legislation, disruptive technologies, market shifts, and reputational damage. An example of a transition risk that is fast emerging is carbon tax.

Endnotes

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3 Science Based Targets. *SBTi Criteria and Recommendations (TWG-INF-002, Version 5.0)* (October, 2021), p. 3.

4 Task Force on Climate-related Financial Disclosures. "About". Accessed February, 2023.

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11 Cooper, N. and While, A. "IPCC report: urgent climate action needed to halve emissions by 2030". *World Economic Forum*, April 6, 2022.

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Contacts

Asia Pacific
Will Symons
Partner, Sustainability & Climate Leader
Deloitte Asia Pacific
wsymons@deloitte.com.au

Australia
David McCarthy
Partner, Executive Sponsor, Climate & Sustainability
Deloitte Australia
damccarthy@deloitte.com.au

China
Lily Li
Partner, Sustainability & Climate Leader
Deloitte China
lilyxcli@deloitte.com.cn

Japan
Yotaro Akamine
Partner, Sustainability & Climate Leader
Deloitte Japan
yotaro.akamine@tohmatsu.co.jp

Korea (Republic of)
In Kyoo Baek
Partner, ESG Centre Leader and Board Chair
Deloitte Korea
inbaek@deloitte.com

New Zealand
Andrew Boivin
Partner, Sustainability & Climate Leader
Deloitte New Zealand
aboivin@deloitte.co.nz

South Asia
Viral Thakker
Partner, Sustainability & Climate Leader
Deloitte South Asia
vthakker@deloitte.com

Southeast Asia
Ei Leen Giam
Partner, Sustainability & Climate Leader
Deloitte Southeast Asia
eilgiam@deloitte.com

Taiwan (China)
Joe Chen
Partner, Sustainability & Climate Leader
Deloitte Taiwan
joechen4@deloitte.com.tw

Acknowledgments

Will Symons
Partner
Sustainability & Climate Leader
Deloitte Asia Pacific
wsymons@deloitte.com.au

Victoria Chantra
Partner
Climate & Sustainability
Deloitte Australia
vchantra@deloitte.com.au

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Deloitte.

Janice Chiang
Max Court
Libby Lang
Walid Lemrini
Eleanor Schwager
Anna Shelton-Agar
Taylor Stewart
Jennifer Marie Wright

Alison Knoblauch
Senior Sustainability Manager

Tom Penny
Head of Environment

sustainability@team.telstra.com

Deloitte.

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